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November 1984

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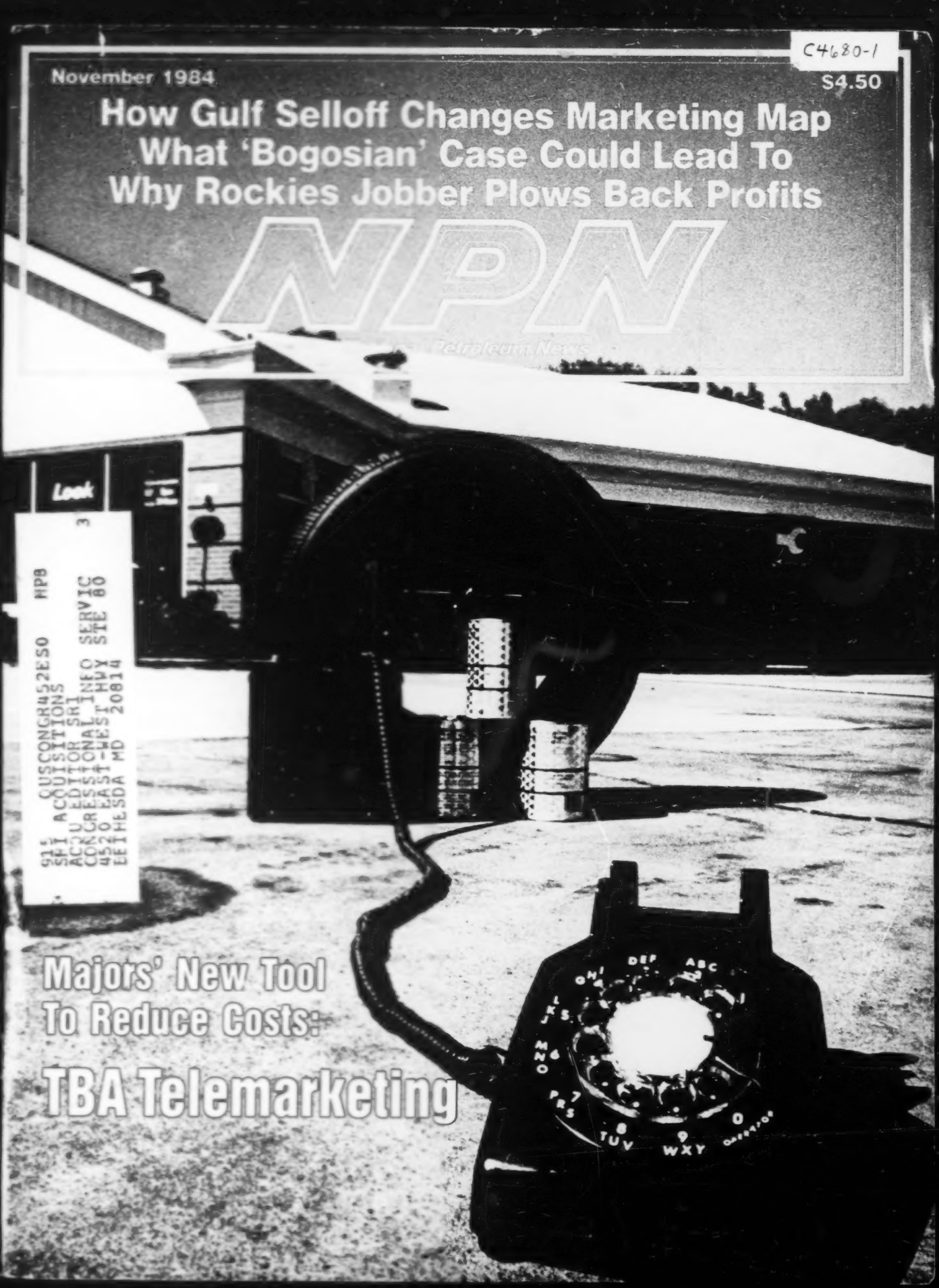
How Gulf Selloff Changes Marketing Map
What 'Bogosian' Case Could Lead To
Why Rockies Jobber Plows Back Profits

NPN

Petroleum News



Majors' New Tool To Reduce Costs:

TBA Telemarketing

NATIONAL PETROLEUM NEWS

NOVEMBER 1984 VOL. 76 NO. 11

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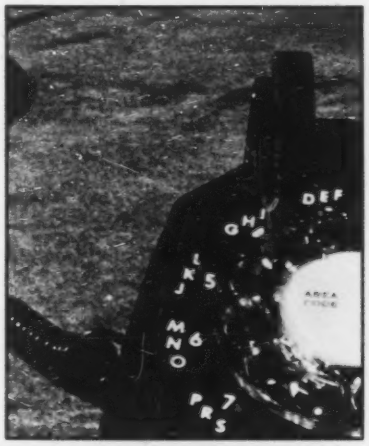
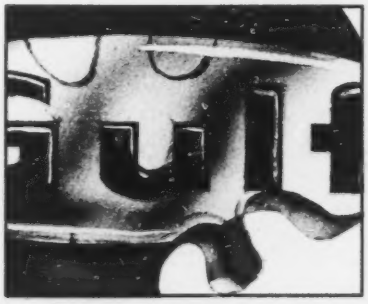


While intense competition in gasoline marketing tends to push aside oil company TBA programs, some majors are turning to telemarketing as an effective way to reduce sales costs and keep TBA sales orders flowing. **Page 40**

Cover photograph by Thomas Olson



Chevron's nearly $1-billion deal with Sohio to sell it 5,660 Gulf outlets in eight southeastern states and a Louisiana refinery will make Sohio a much bigger player and could speed Chevron on its way toward successful coast-to-coast marketing. **Page 29**

George Kimmick's Rockies marketplace is fairly uncompetitive. And, he tries to keep it that way with his C-store/gasoline outlet that far-and-away outshines the other marketers in town. **Page 50**

• TRENDS

PMAA Off to Healthy Start

Four years ago, the National Oil Jobbers Council was a trade association in deep trouble. It was $300,000 in the red, had a rebellion going on over state membership dues and much internal strife. Some people at the time wondered if the group could survive.

Today, however, sporting its new name, Petroleum Marketers Assn. of America, the 44-year-old federation of state associations is functioning about as smoothly as it ever has. It has wiped out its deficit, curbed the rebellion and eliminated much of the internal squabbling.

This was evident in New Orleans when the group held its first convention under its new name. A gigantic trade show and registration of more than 2,000 jobbers and guests reportedly enriched its coffers by $250,000 to $300,000. Meanwhile, potentially explosive issues, which once would have erupted into much debate and bickering, created hardly a ripple. Some members, in fact, said the formal meeting agenda ran so smoothly that the entire affair was boring.

Phillip R. Chisholm, 32, PMAA's executive vice president since May 1981, is given much credit for the turnaround in the group's situation.

Chisholm, the group's chief lobbyist before moving up, took over as chief executive in May 1981, replacing Robert W. Sullivan, who had been fired four months earlier during one of the stormiest periods in the group's history.

Sullivan had been hired a year-and-a-half earlier in hopes that his touted "management expertise" would help the group gain financial strength and internal stability. The results were just the opposite. In addition to plunging the association $300,000 into the red, Sullivan's abrasive personality rubbed many jobber leaders and state association execs the wrong way. In addition, there were charges that he attempted to set policies on his own—policies which sometimes conflicted with state association programs.

It is doubtful that any of his predecessors inherited a bigger mess than Chisholm did when he took over. Or, for that matter, had more apparent handicaps to overcome. In addition to the $300,000 deficit and internal strife, Chisholm was recovering from a serious illness and his incoming president, Henry C. "Hink" Turner, had cancer. Turner died March 30, 1982, three months into his one-year term, and was succeeded by Robert P. McGinley.

Chisholm knew that his major task would be to trim expenses and increase revenues, while attempting to improve relations between the Washington staff and its jobber constituency. Just about everyone says he has done an outstanding job in carrying out this difficult assignment.

Sullivan had an operating budget of about $2.5-million in 1980 when he ran up the $300,000 deficit. He had a 33-person Washington staff.

William Quortrup, president in 1981, and Turner ordered a house cleaning when Chisholm took over. The staff was soon reduced to 17, a reduction of almost 50%, and other cuts were made in office space, projects, travel, etc. By 1982, the operating budget had been slashed to $1.6-million and has remained at about that level since.

Chisholm faced continued squabbling over a new dues formula set in motion during Sullivan's reign. He believes the state associations generally consider this to be an equitable formula now, though, and says there has been an overall reduction of 25% in dues from four years ago.

That $300,000 deficit has been wiped out, and he says PMAA is "getting closer" to a goal of having a surplus in the bank equal to one-half its operating budget.

It is making money off its conventions, trade shows and some special projects. His goal, says Chisholm, is to not depend on membership dues for more than 50% of PMAA's total annual budget.

Equally as important as the strides made to overcome PMAA's past financial problems, though, has been the diplomatic and tactful way that Chisholm has soothed bruised egos and mended fences.

He began his reign by making it clear that the paid Washington staff would carry out policy set by PMAA's jobber executive committee, and would work with and seek advice from state directors and association executives. Most say he has stuck to this promise.

"There is a tremendous contrast between what we had and what we have now," says a key state executive. "Phil's relations with the state executives are good. We know more about budgets and have our own man (Roger Dryer of Ohio) on the financial board. Phil does lots of little things that are important."

At one meeting recently, Chisholm was commenting on the good will that seems to exist now. Elizabeth Walker of Tennessee reportedly responded: "Phil, we haven't changed. NOJC has."

—Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

AUGUST	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.184	$1.116	$1.196	$1.355
Regions:				
Northeast	1.191	1.118	1.190	1.343
North Central	1.197	1.143	1.220	1.403
South	1.183	1.110	1.195	1.347
West	1.162	1.088	1.173	1.353

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	9/28/84	9/30/83
Gasoline (total)	228,850	231,090
Gasoline (unleaded)*	105,185	93,501
Jet Kerosine	38,546	34,643
Distillates	142,212	153,833
Residual	47,308	46,790

**Included in gasoline total.*
Source: American Petroleum Institute.

DOE: Economic Surge Lifts '84 Demand, Prices, But '85 Product Picture to Resume Flat Course

Although it isn't filled with gloom and doom by any means, the federal government's short-term energy forecast isn't one that oil marketers will dub "rosey" either.

Issued in September and covering the balance of 1984 and all of 1985, the new forecast says this is what the immediate future looks like:

- The five-year downward trend in total petroleum demand is expected to be reversed in 1984, with total consumption expected to be 4.3% higher than 1983. *But*, no improvement is in prospect for 1985; demand will continue to be about the same as in 1984.
- Gasoline demand is expected to increase 2.4% in 1984, averaging almost 6.8-million b/d. As in total demand, however, the 1985 prospects are flat with consumption in the second and third quarters—the warm weather days—probably below the level of last summer.
- Gasoline prices, with more supply around than can be comfortably accommodated, will continue to be on the soft side. The nominal price (the average for

Washington's Short-Term Energy Forecast

DEMAND

(Thousand bbl. for oil, trillion cf for gas, billion kw for electric)

	1983	% Change '83 vs. '82	1984	% Change '84 vs. '83	1985	% Change '85 vs. '84
Motor Gasoline	6.62	1.2%	6.78	2.4%	6.78	0.0%
No. 2 Heating Oil	2.69	0.7	2.87	6.7	2.79	−2.8
Residual	1.42	−17.4	1.43	0.7	1.37	−4.2
Other Products	4.50	3.0	4.80	6.7	4.93	2.7
Total U.S.	**15.2**	**− 0.5**	**15.9**	**4.3**	**15.9**	**−0.1**
Natural Gas	17.00	− 5.6	18.06	6.2	18.32	1.4
Electricity	2,310.3	3.1	2,438.5	5.5	2,510.4	2.9

PRICES(*)

($ per gal. for oil, $ per mcf for gas, ¢ per kwh for electric)

Motor Gasoline (**)	$1.22	− 4.7%	$1.20	−1.6%	$1.20	0.0%
No. 2 Heating Oil						
Wholesale	0.82	NA	0.84	2.4	0.84	0.0
Retail	1.08	− 9.2	1.10	1.9	1.11	0.9
Residual (***)	0.65	NA	0.68	4.6	0.67	−1.5
Natural Gas (****)	5.99	15.9	6.08	1.5	6.23	2.5
Electricity (****)	7.18	4.7	7.48	4.2	7.78	4.0

(*)All prices include taxes except No. 2 retail heating oil.
(**)Average for all grades and services.
(***)Average for all grades of sulfur.
(****)Gas and electric prices are for residential consumption.
Source: Energy Information Administration, Short Term Energy Outlook, September 1984.

How It Looks by Quarters

DEMAND (millions b/d)

	History								Projection				
	1983			1984					1985				
	3rd Qtr.	4th Qtr.	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year	1st Qtr.	2nd Qtr.	3rd Qtr	4th Qtr.	Year
Motor Gasoline	6.81	6.68	6.62	6.34	6.88	7.03	6.84	6.78	5.51	6.88	6.97	6.76	6.78
Leaded	3.05	2.89	2.97	2.69	2.86	2.90	2.77	2.81	2.59	2.69	2.68	2.56	2.63
Unleaded	3.76	3.79	3.65	3.65	4.02	4.13	4.07	3.97	3.92	4.19	4.29	4.20	4.15
No. 2 Heating Oil	2.45	2.95	2.69	3.20	2.79	2.53	2.94	2.87	3.00	2.74	2.52	2.90	2.79
Residual	1.35	1.40	1.42	1.74	1.30	1.33	1.36	1.43	1.62	1.28	1.26	1.34	1.37
Other Products	4.73	4.70	4.50	4.77	4.61	4.89	4.95	4.80	4.89	4.70	5.05	5.07	4.93
Total U.S.	**15.33**	**15.73**	**15.23**	**16.06**	**15.58**	**15.77**	**16.18**	**15.88**	**16.01**	**15.60**	**15.80**	**16.07**	**15.87**

PRICES ($ per gal.)

Motor Gasoline (*)	$1.27	$1.23	$1.22	$1.20	$1.22	$1.20	$1.20	$1.20	$1.18	$1.19	$1.22	$1.20	$1.20
No. 2 Heating Oil													
Wholesale	0.83	0.82	0.82	0.86	0.83	0.83	0.84	0.84	0.84	0.84	0.85	0.85	0.84
Retail	1.05	1.06	1.08	1.13	1.08	1.08	1.10	1.10	1.11	1.10	1.10	1.12	1.11
Residual (**)	0.67	0.69	0.65	0.69	0.68	0.66	0.68	0.68	0.71	0.65	0.64	0.67	0.67

(*) Average for all grades and services.
(**) Average for all grades of sulfur.
Source: Energy Information Administration, Short-Term Energy Outlook, September 1984.

all grades) will be around $1.20 for 1984, down 2¢ from 1983. The projection for 1985 anticipates $1.18 in the first quarter, $1.22 in the third, and an average of $1.20 for the year.

- Distillate consumption for 1984 will be up about 7%. But that reflects the unexpected cold of the first quarter and increased industrial activity. The forecast for 1985 is that demand will decline about 3% despite modest growth in industrial production. Demand for No. 2 will slip mostly because of oil-to-gas conversions in the home heat market, the government says.
- Distillate wholesale prices will be flat throughout '84 and '85 at about 84¢ gal. Retail prices, which averaged $1.08 in 1983 and $1.10 in 1984, will climb 1¢ in 1985, according to the projections.
- Residual, which has been in a slump for years, will flatten out temporarily in 1984 but will resume the decline in 1985. The 1985 price per gal. is expected to drop 1¢ below 1984's 68¢.

The short-term energy forecast is made twice every year by the Energy Information Administration. The September projection is the one that sums up the current year and gives an overview on the year to come.

The current forecast is predicated on a continuing abundance of crude oil domestically and internationally. It projects an average price of $29 bbl. for imported crude delivered to U.S. refineries—although some prices are already below this benchmark currently.

Three alternative forecasts are made by the EIA—high, low and intermediate "base" projections. The high economic growth forecast assumes that imported crude oil would fall to $25 bbl. and remain at that level throughout 1985. The low economic forecast assumes that imported crude would rise to $33 bbl. and stay there.

The government forecast has these additional qualifiers:

Should the price of imported crude and U.S. economic growth exceed the base case projections:

—For each 1% change in GNP above (or below) forecast levels, oil consumption and imports in 1985 would change 200,000 b/d.

—For each $1 bbl. change in imported crude oil, consumption and imports in 1985 would change 55,000 b/d.

—For each 10% change in heating degree days in the first and fourth quarters, consumption and demand would increase by an average of 270,000 b/d.

—For each 15% change in cooling degree days during the second and third quarters, consumption and imports would change by an average of 25,000 b/d, according to the forecast from the federal agency. NPN

NPRA: Imported Gasoline Influx Real; Some Refiners Seek Fed Restrictions

The surge in imported gasoline perceived by independent refiners, who say the influx has been clobbering them, is no mirage, according to a report by the National Petroleum Refiners Assn.

For the first six months of 1984, imports of leaded and unleaded gasoline rose 67.4%, from nearly 31.2-million bbl. the first six months of 1983 to 52.3-million bbl. the same period this year, NPRA figures show. The U.S. imported 76.2-million bbl. of gasoline all last year.

"Imports are a very big factor in keeping the price of gasoline depressed," notes an NPRA spokesman. Overseas refineries are not subject to taxes as high, and environmental laws as strict as those in the U.S. Thus, product prices in the New York Harbor have been significantly lower than those at regional refineries.

The biggest importer, by a long shot, for first-half 1984 was Apex Oil. Figures available from NPRA for imports of leaded gasoline during that time period indicate the financially troubled company [*NPN*—Sept. '84, p17] imported more than 8-million bbl.—more than double its leaded import volume for the like period in 1983. (See six-month import figures for the top 10 in all PAD districts, except 5 or West Coast, at right.)

NPRA also claims that shipments coming into New York Harbor and registered as "gasoline blended components" actually might be finished gasoline. "It's difficult to pinpoint what's coming in, but it's quite obvious there's some 'innovation' going on," an NPRA spokesman said. Congress set a 1.25¢ gal. tax on imported finished gasoline, versus a 0.25¢ tax on blending components. For one thing, U.S. Customs Service inspection and manpower is not geared for strict verification of imports.

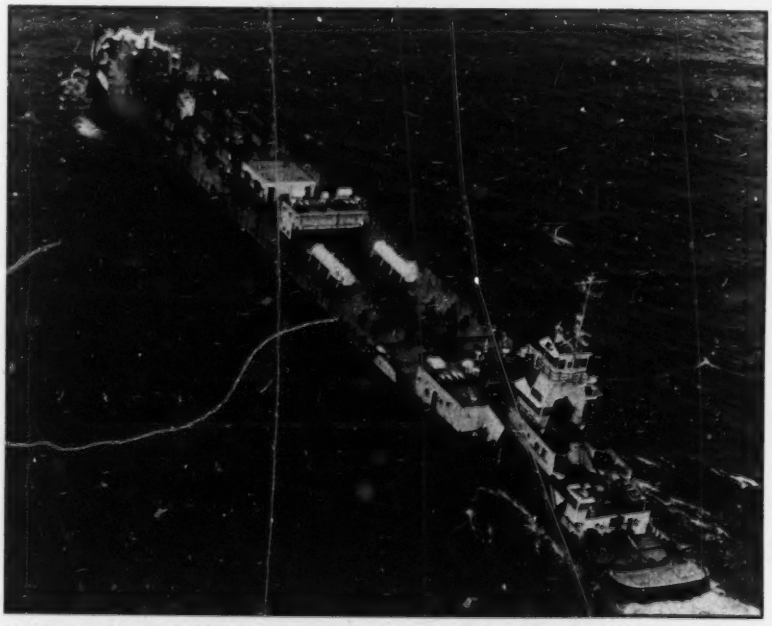
Another reason NPRA sources say some imports are not "blending components" is that New York City has no refineries and transportation of imported blending components to the nearest plants would be prohibitively expensive.

The association, which represents independent and major refiners alike, has begun pressing for congressional legislation to halt product imports. Many NPRA members who already are counting on imports for profitability or which have international ties feel hamstrung from backing such curbs. But several dozen indies have banded together in a separate coalition to seek such restrictions, citing the increased OPEC refining capacity due to come on-stream.

Leaded Imports

Apex Oil	8,010,511 bbl.
Northville Industries	4,123,332
Phibro Distrib.	1,755,521
Amerada Hess	1,547,236
Will Petroleum	1,506,188
Anshultz Petroleum	1,397,746
Sun Co.	1,332,099
Texaco Inc.	831,024
Kaiser Aluminum	705,259
Unipetrol	670,947

NPN



Lightly-taxed, imported 'blending components' are probably finished gasoline says NPRA.